

# **Does trade liberalization affects international trade tax revenue? Evidence from dynamic panel threshold method**

## **ABSTRACT**

This paper examines the relationship between trade liberalization and trade tax revenues applying an advanced dynamic panel threshold technique. The empirical analysis is based on a large panel-dataset including 103 developing countries for the period 1993-2012. The empirical finding results indicate that the relationship between trade liberalization and trade tax revenue is non-linear and also provide evidence of a Laffer effect. In particular, we find that additional trade liberalization has a negative impact on trade tax revenue, but this negative effect will disappear at the higher levels of trade liberalization. The results point to harness the benefits of trade liberalization without having worry a lot about its impact on trade tax revenues.